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SUBJECT: OMV'S IRAN DEAL: CRACKS IN THE ARMOR?

REF: A) VIENNA 2829 B) VIENNA 2815

Classified By: Econ/Pol Counselor Dean Yap for reasons 1.4 (b) and (d)

11. (U) According to Austrian press, Minister of Economics Martin Bartenstein told the November 22 European Competition Council that Iranian gas was a "no-go" for the Nabucco pipeline. Bartenstein reportedly noted that USG support for Nabucco depended on excluding Iranian gas from the Euro 5 billion project. At the Council, Energy Commissioner Piebalgs characterized Bartenstein's comments as "too hard," arguing that Iranian gas could become part of Nabucco, following a political resolution of Iran's controversial nuclear program. An OMV spokesman also quickly refuted Bartenstein, stressing that the company would not exclude any potential Nabucco sources, "as long as the legal framework allows it."

12. (C) During a November 22 conversation with UNVIE Ambassador Schulte, OMV CEO Wolfgang Ruttenstorfer reiterated (ref B) that OMV had substantially slowed down its interactions with the Iranian regime since signing the April 2007 Heads of Agreement to participate in the development of the South Pars 12 field. Ruttenstorfer said he did see any new agreements with Iran "in the next two years." Moreover, with German Chancellor Merkel calling for German companies to reduce their commercial contacts in Iran, Ruttenstorfer opined that this would ultimately signal a slowdown in Austro-Iranian commercial ties.

13. (C) Ruttenstorfer noted that at a recent meeting of European energy companies, most executives predicted that there would be a noticeable reduction in European energy investments in Iran in the near future. There was reportedly a growing sentiment that EU sanctions on oil and gas investments might be desirable to "level the playing field" for all companies.

Comment

14. (C) Minister Bartenstein's public comments follow Ambassador McCaw's November 20 farewell call on Chancellor Gusenbauer (ref A), in which she repeated the USG's strong objection to OMV's South Pars deal with the Iranian regime. OMV and the GoA undoubtedly want to keep the longer-term option of accessing Iranian gas open. However, there appears to be a growing realization among some in Vienna that now is not the time to be deepening Austria's commercial presence in Iran.

Kilner